APPENDIX

CANADA PENSION PLAN—WHITE PAPER

The purpose of the government's proposed legislation is to ensure that, as soon as is possible in a fair and practical way, all Canadians will be able to retire in security and with dignity.

The advantage of a federal plan is that it is the only type of pension plan that can be made available comprehensively to all Canadians. This was recognized in 1951 when the British North America Act was amended. The Canada pension plan will mean that a contributory program is available to Canadians to provide for their old age. However, as the provision of pensions is a field in which both provincial and federal governments have jurisdiction, the Canada pension plan will not be extended to people covered under a comparable provincial pension plan, providing a similar level of benefits on a universal basis. The province of Quebec has indicated that it intends to introduce such a plan for residents of that province.

Under the federal plan, coverage will be compulsory for, broadly, all employees in participating provinces; such exceptions as are made will be for those types of employment in which the collection of contributions is not administratively feasible. Most other people having earned incomes—broadly, the self employed and the majority of employees not covered compulsorily—will be able to belong to the plan voluntarily. If a provincial government wishes, its employees will be covered. Federal employees in a non-participating province will be covered by the Canada pension plan.

The plan is comprehensive in the sense of covering as many people as is practicable. It is not intended to provide all the retirement income which many Canadians wish to have. This is a matter of individual choice and, in the government's view, should properly be left to personal savings and to private pension plans, subject in the latter case to such degree of supervision as the provinces may think appropriate. The 1963 Ontario legislation is the first example in Canada of an attempt at close supervision of private plans.

The purpose of the Canada pension plan is to make reasonable minimum levels of income available at normal retirement ages. There will be scope for the continuation and extension of private pension plans to provide benefits over these minimum levels.

The present minimum provided in Canada is the old age security benefit of $75 a month from age 70. Unfortunately, many people are unable to go on earning until they reach age 70.

Realistic minimum levels of pensions cannot be achieved, in a country like Canada, simply by increasing the flat rate pension. Living costs vary greatly between town and country, and between different regions of Canada. What people need, in order to make satisfactory provision for retirement, is related in part to the level of earnings to which they have been accustomed. The Canada pension plan will therefore provide new levels of pensions related to previous earnings.

Main Features

The government proposes to make these main changes in the provision of pensions:

1. Contributors to the plan will receive a monthly pension related to the earnings on which they have contributed. The scale of pensions will rise during a ten year transitional period to a level of 20 per cent of average earnings.

2. A flat rate old age security pension will be available at any age between 65 and 70, according to the preference of the pensioner. The amount of the pension will be graduated so that anyone with average life expectancy will receive about the same total payment, from the age he starts his pension to the time he dies, whatever starting age he chooses.

3. The earnings-related Canada pension will also be available to contributors at any age between 65 and 70, provided they have retired from regular employment. There will be no retirement condition at age 70.

4. Both the flat rate pension and the earnings-related pension will be available in 1966 to people who have reached age 69, in 1967 to people from age 68, in 1968 to people from age 67, in 1969 to people from age 66, and in 1970 to people from age 65.

The main features in the financing of the plan are:

5. Since the new benefits will be related to earnings, the Canada pension plan will be financed by contributions of a percentage of earnings. The rate of the employer's contribution during the first 15 years will be 1 per cent of the earnings on which contributions are made. The rate for employees will also be 1 per cent. During this period the rate for self employed contributors will be 2 per cent.